

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

ORIGINAL

RECEIVED

FEB 10 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Policies and Rules)
Concerning Toll Fraud)

CC Docket No. 93-292

REPLY COMMENTS OF

CONSOLIDATED COMMUNICATIONS PUBLIC SERVICES INC.

Consolidated Communications Public Services ("CCPS") hereby submits its reply comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above captioned proceeding released December 2, 1993. CCPS provides specialized automated inmate and public telephone services, including automated, operator-assisted long distance services to numerous correctional centers throughout Illinois. CCPS has previously filed comments in the Commission's toll fraud proceedings in File No. 93-Toll Fraud-01. The Reply Comments of CCPS are primarily directed to an issue which the FCC did not specifically address in the NPRM, but which several commenters raised: subscription fraud.

FCC INITIATIVES SHOULD EMBRACE

ACTIONS TO PREVENT SUBSCRIPTION FRAUD

Subscription fraud occurs when a potential customer applies for local exchange service using false information in an attempt to avoid paying the charges they will incur. Each state public utilities commission has adopted its own rules governing the establishment or termination of phone service. These rules are diverse and the lack of standardized rules inhibit timely and

effective responses to toll fraud that crosses jurisdictional boundaries. CCPS encourages the Commission to study and compare these rules in cooperation with NARUC with a goal of ultimately moving towards a standard procedure by which a person qualifies for telephone service. Many commenters support a preventive approach to eliminating toll fraud. CCPS concurs in that preventive approach and underscores the measures which LECs can adopt to avoid toll fraud. LECs are in the best position to prevent subscription fraud because they have control of all new service applications and proactive efforts to identify fraud in the subscription process should yield maximum results.

LECs should begin by utilizing a full credit check on an applicant, rather than a partial check of just the social security number of the applicant. A full credit search will reveal the date of birth, current and previous addresses, credit account history and other relevant information. Without the full credit check, a LEC may initiate service if the social security number is accurate for the name which is given, but that social security number may belong to a two-year old. Similarly, without a full search, an applicant may be given service even though a request for death benefits for that applicant's social security number has been filed.

In Illinois, LECs are allowed by the Illinois Commerce Commission to secure further credit information if an applicant does not have verifiable prior service for a year with a satisfactory payment record.^{1/} The Illinois rules require proof of

^{1/} Title 83, Chapter I, Subchapter f, Section 735.100(e).

two credit indicators, out of a possible range of seven, in order to establish service without any deposit. In working with various LECs to improve collections of CCPS' accounts, CCPS has learned that two indicators are not always being verified, often neither is. Fraud could be better screened by verifying both.

When a new customer is required to post a deposit, LECs should be allowed to place a restriction on the ability to make toll calls until the entire deposit has been posted or if technically feasible, a ceiling on toll calling could be implemented. CCPS's original comments in File No. 93-Toll Fraud-01 proposed that collect and third number billed calls not be allowed until a new customer with no credit history has a six-month track record or that customer could be required to post an additional deposit.

LECs should also be required to impose limits on originating calls from new accounts similar to the limits on commercial credit cards. As credit worthiness is demonstrated, the limits could gradually be raised.

LEC standard procedures should also include securing a telephone number where the new applicant can be reached or their prior service location. LEC personnel would then verify the applications using the phone number given.

CCPS agrees with the comment of the Toll Fraud Subcommittee at page 17 that suggests a welcome kit or letter be sent to the billing address and that a LEC could disconnect service if the postal service returns the correspondence.

LECs, along with IXC's, should be permitted to share customer information to prevent abuse and establish a nation-wide

database containing such information. CCPS agrees with commenters, such as SNET at page 12, that real-time fraud information sharing is necessary and also agrees with Sprint's suggestion, at page 20, of rules which "clearly define: 1) the circumstance under which information is to be shared 2) the detail and content of the exchanged information and 3) a vehicle or process which protects all of the parties involved."

Many of the CCPS' proposals have been successfully incorporated into the approach followed by an RBOC which bills and collects on behalf of CCPS. The results CCPS has experienced with that RBOC over the last two years show significant benefits - the uncollectible rate has been cut in half. Meanwhile, other LECs with which CCPS has billing and collection arrangements, but which have not adopted as progressive an approach as the RBOC discussed above, have uncollectibles as high as 46% on CCPS' traffic. This high uncollectible rate is being experienced despite CCPS's subscription to LIDB services, including Billed Number Screening, public pay-phone identification and calling card verification, and also despite CCPS providing the LIDB owner with the called and calling number. Clearly, a proactive approach must be prescribed for all LECs.


So long as LECs recover the full cost of their access, LIDB and billing and collection services from IXC's, there is little incentive for LECs to improve their fraud prevention and uncollectible rate performance. Making LECs responsible for errors in the LIDB, as BellSouth has suggested on page 13, is a step in the right direction. However, CCPS disagrees with BellSouth that the IXC's should recover their lost costs in the event of a LIDB

error or LEC failure to observe existing procedures which result in fraud. A simpler approach would be to compensate IXCs for the full retail value of the call, rather than annually negotiating a factor, as BellSouth suggests.

CONCLUSION

For all the above-stated reasons, CCPS requests the Commission affirmatively address the issue of subscription fraud in this docket, charge LECs with responsibility to improve their efforts to prevent toll fraud by more effectively screening applicants for service and initiate a standardization effort with NARUC to specify universal rules for establishing service and exchange of information among LECs and IXCs.

Respectfully submitted,


Ellyn Elise Crutcher
Counsel for
Consolidated Communications
Public Services, Inc.
121 South 17th Street
Mattoon, Illinois 61938

February 10, 1994

CERTIFICATE OF SERVICE

I, Michelle V. Richardson, hereby certify that a copy of the foregoing Reply Comments of Consolidated Communications Public Services Inc. was sent by United States first-class mail, postage prepaid, on this 10th day of February 1994, to the parties listed below:

Genevieve Morelli, Vice President
Competitive Telecommunications Association
1140 Connecticut Ave., N.W., Ste 220
Washington, D.C. 20036


Michael Fingerhut
Sprint Communications
1850 M Street, N.W.
Washington, D.C. 230036

Anne U. MacClintock, Vice President
Southern New England Telecom Corp.
227 Church Street
New Haven, CT 06510

M. Robert Sutherland, Esq.
BellSouth Telecommunications, Inc.
675 W. Peachtree Street, N.E.
Atlanta, GA 30375

William B. Barfield, Esq.
BellSouth Cellular Corporation
1155 Peachtree Street, N.E., Suite 1800
Atlanta, GA 30367-6000

Douglas F. Brent, Esq.
ICIC-TFS
9300 Shelbyville Road, Suite 700
Louisville, KY 40222


Michelle V. Richardson